


MERIT PHL, LLC

Slot Operator and Management Company - Application and Disclosure Information Form

APPENDIX 38: AS REQUIRED BY §1325 OF THE GAMING ACT, APPLICANT MUST ADDRESS EACH ITEM LISTED IN THIS SECTION. IF AN ITEM DOES NOT APPLY, THE APPLICANT MUST STATE THAT IN RESPONSE TO EACH ITEM LISTED. PROVIDE A PLAN, WITH DETAILS, FOR THE FOLLOWING:

- (1) THE LOCATION AND QUALITY OF THE PROPOSED FACILITY, INCLUDING, BUT NOT LIMITED TO, ROAD AND TRANSIT ACCESS, PARKING AND CENTRALITY TO MARKET SERVICE AREA;
- (2) THE POTENTIAL FOR NEW JOB CREATION AND ECONOMIC DEVELOPMENT WHICH WILL RESULT FROM GRANTING A LICENSE TO THE APPLICANT;
- (3) THE APPLICANT'S GOOD FAITH PLAN TO RECRUIT, TRAIN AND UPGRADE DIVERSITY IN ALL EMPLOYMENT CLASSIFICATIONS IN THE FACILITY;
- (4) THE APPLICANT'S GOOD FAITH PLAN FOR ENHANCING THE REPRESENTATION OF DIVERSE GROUPS IN THE OPERATION OF ITS FACILITY THROUGH THE OWNERSHIP AND OPERATION OF BUSINESS ENTERPRISES ASSOCIATED WITH OR UTILIZED BY ITS FACILITY OR THROUGH THE PROVISION OF GOODS OR SERVICES UTILIZED BY ITS FACILITY AND THROUGH THE PARTICIPATION IN THE OWNERSHIP OF THE APPLICANT. PROVIDE SPECIFIC INFORMATION REGARDING THE DIVERSITY IN OWNERSHIP OF THE APPLICANT, I.E. MINORITIES, WOMEN;
- (5) THE APPLICANT'S GOOD FAITH EFFORT TO ASSURE THAT ALL PERSONS ARE ACCORDED EQUALITY OF OPPORTUNITY IN EMPLOYMENT AND CONTRACTING BY IT AND ANY CONTRACTORS, SUBCONTRACTORS, ASSIGNEES, LESSEES, AGENTS, GAMING SERVICE PROVIDERS AND SUPPLIERS IT MAY EMPLOY DIRECTLY OR INDIRECTLY;
- (6) THE HISTORY AND SUCCESS OF THE APPLICANT IN DEVELOPING TOURISM FACILITIES ANCILLARY TO GAMING DEVELOPMENT, IF APPLICABLE TO THE APPLICANT;
- (7) THE DEGREE TO WHICH THE APPLICANT PRESENTS A PLAN FOR THE PROJECT WHICH WILL LIKELY LEAD TO THE CREATION OF QUALITY, LIVING-WAGE JOBS AND FULL-TIME PERMANENT JOBS FOR RESIDENTS OF THIS COMMONWEALTH GENERALLY AND FOR RESIDENTS OF THE HOST POLITICAL SUBDIVISION IN PARTICULAR;
- (8) THE RECORD OF THE APPLICANT AND ITS DEVELOPER IN MEETING COMMITMENTS TO LOCAL AGENCIES, COMMUNITY-BASED ORGANIZATIONS AND EMPLOYEES IN OTHER LOCATIONS;
- (9) THE DEGREE TO WHICH POTENTIAL ADVERSE EFFECTS WHICH MIGHT RESULT FROM THE PROJECT, INCLUDING COSTS OF MEETING THE INCREASED DEMAND FOR PUBLIC HEALTH CARE, CHILD CARE, PUBLIC TRANSPORTATION, AFFORDABLE HOUSING AND SOCIAL SERVICES, WILL BE MITIGATED;
- (10) THE RECORD OF THE APPLICANT AND ITS DEVELOPER REGARDING COMPLIANCE WITH
 - (I) FEDERAL, STATE AND LOCAL DISCRIMINATION, WAGE AND HOUR, DISABILITY AND OCCUPATIONAL AND ENVIRONMENTAL HEALTH AND SAFETY LAWS AS WELL AS
 - (II) STATE AND LOCAL LABOR RELATIONS AND EMPLOYMENT LAWS;
 - (III) THE APPLICANT'S RECORD IN DEALING WITH ITS EMPLOYEES AND THEIR REPRESENTATIVES AT OTHER LOCATIONS.

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- (1) Consistent with our public presentation to the Pennsylvania Gaming Control Board on 2/12/13, the proposed facility will be located on approximately 24 acres at the corner of South Front Street and Pattison Avenue in South Philly. Our project consists of a 250 room 4-star hotel (210 deluxe rooms, 40 suites and a fitness center), 2,400 slot machines, 105 table games (which includes 25 poker tables and a high limit area), a 300 seat buffet, a fine dining Italian restaurant, an upscale steak house, sports bar, 24-hr café, coffee/espresso bar, 1,600 car parking garage and surface parking for over 1,200 vehicles.
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The proposed facility is located far enough away from the Stadium Complexes as to not cause additional Stadium congestion but is strategically located to become a catalyst for the transformation of the industrial area between the stadiums and I-95. Access to our proposed facility is excellent. Casino patrons will not need to drive through local neighborhoods to access our property, benefitting from existing road infrastructures already being utilized in and around the property. Please see PHL Local Gaming LLC's Amended Appendix 32 regarding Langan Traffic Impact Study.

The proposed facility is over four miles from the nearest existing casino.

- (2) Casino Revolution will be the catalyst to transform the entire area from Front Street to the Stadiums. We have approximately 24 acres that is owned and controlled by PHL Local Gaming. In addition, Joe Procacci owns 8 acres in the Stadium District that can further spur development.


By utilizing the existing infrastructure on our site, we will be able to open a portion of our facility 6 months earlier than any other applicant. This accelerated phased opening will create six hundred casino jobs and generate approximately \$41.0 million dollars of gaming tax revenue before any other applicant can open its doors.

The facility will be designed and constructed for ease of expansion to maximum gaming positions allowed by law.

Please see Economic Impact of the Planned Casino Revolution Study prepared by Klas Robinson Hospitality Consulting.

- (3) Please see Casino Revolution Diversity Plan.
- (4) Please see Casino Revolution Diversity Plan. As for the diversity of the ownership, please refer to the Slot Operator and Management Company Application and Disclosure Form submitted by owner PHL Local Gaming LLC.
- (5) Please see Casino Revolution Diversity Plan.
- (6) The principals of Merit PHL have designed, developed and operated hotels, casinos, restaurants, sports facilities, rv-parks, and camp grounds throughout the country.

Locations include:

- Boulder Station, Las Vegas
 - NV/Palace Station, Las Vegas, NV
 - Casino St. Charles, St. Charles, MO
 - Kansas City Station, Kansas City, MO
 - Wildwood Casino, Cripple Creek, CO
 - Empress Casino Joliet, Joliet, IL
 - Empress Casino Hammond, Hammond, IN
 - Silver Reef Casino, Ferndale, WA
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- Silver Cross Stadium, Joliet, IL
- Pleasant Creek Campground, Oglesby, IL.

(7) Our project will generate the following Economic Impacts to the surrounding community:

- 428.0 million total direct project costs
- \$147.2 million in projected annual city & state taxes and fees
- \$56.5 million annual purchase for ongoing operational goods and services
- \$65.2 million construction payroll
- 2,599 direct, indirect and induced Philadelphia jobs
- 3,188 direct, indirect and induced Pennsylvania jobs
- 1,235 construction jobs
- 1,369 casino employees
- 4.1 million annual visits
- Please also see Economic Impact of the Planned Casino Revolution Study prepared by Klas Robinson Hospitality Consulting.

To provide full time permanent jobs for residents of the Commonwealth and specifically for residents of Philadelphia, we will give a 7% bid preference to all Philadelphia vendors and a 5% bid preference to all South Eastern Pennsylvania vendors. We are also committed to continue the Procacci Brother's model of 75% of our workforce coming from South Eastern Pennsylvania, including 35% from the city of Philadelphia.

- (8) Merit's principals pride themselves on following through on their commitments in every jurisdiction they have been a part of. While operating Empress Casino Hammond, Merit principals committed to and followed through on developing approximately \$1.0 million of employee housing. During Merit's ongoing eleven year operational management of Silver Reef Casino, Merit has contributed significant amounts to the Lummi Educational Advancement Program which creates scholarships for Tribal Members who seek Casino Management focused college degrees. Merit has had excellent relationships with all levels of governing bodies, from municipal to state to local to Native American Tribes and has always met all of its commitments and obligations.
- (9) Due to the location of the proposed casino and hotel in an area with no housing or neighborhoods close to the sports complex, we do not anticipate any adverse impact on public health care, child care, public transportation, affordable housing or social services.
- (10) Merit's principals have supervised over 20,000 employees at its various operations, in both union and non-union environments. To our knowledge, there have never been any significant issues regarding occupation and environmental health and safety laws. We've never been involved in a work stoppage. Merit maintains a stellar employee/employer relationship in all of its operations.

Consistent with our presentation to the Pennsylvania Gaming Control Board on 2/12/13, below is an outline which supplements our answers above:

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PHL Local Gaming, LLC - Project Summary

- PHL Local Gaming LLC has, hands-down, the BEST LOCATION. The Procacci family owns our existing 23.5 acre parcel as well as additional acreage we could commit for future expansion

- Our project will be transformative of the Front and Pattison Neighborhood and it will spur development from Front Street to the Stadiums

- PHL is led by:

Two legendary, serial Philadelphia entrepreneurs (Joe Procacci and Dr. Walter Lomax) both of whom started with nothing and through sheer force of will have created enormously successful businesses across a range of industries from produce, to real estate development, to healthcare insurance, to media and technology

These gentlemen have a 65-year track record of commitment to our community here in Philadelphia

They have substantial financial firepower

They will be Trusted Stewards of a Gaming License in the City of Philadelphia

They will be Trusted Partners of the Commonwealth of Pennsylvania

- We Enjoy Solid Community Support and our project has minimal if any, impact on surrounding neighborhoods

- As the only applicant with an existing facility that can be easily retrofitted for use as a casino we have the singular ability to faster tax revenue to the Commonwealth which means more payroll for our community and accelerated tax revenue for the Commonwealth

- PHL's location and design will allow us to expand our project in response to market demand up to the maximum of 5,000 slots, meaning extensible payroll for the city and tax revenue for the Commonwealth.

- Finally, we don't have existing casino interests that we need to protect. We can focus all of our efforts and all of our attention solely and exclusively on delivering a powerful, transformative, and financially successful project for the City of Philadelphia and the Commonwealth of Pennsylvania

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PHL LOCAL GAMING - IT ALL BEGINS WITH OWNERSHIP

- Two well-respected highly successful local businessmen.
- Great visionaries
- Great American success stories
- Got where they are through old fashioned hard work and perseverance
- Believe in being part of the community and projects like Casino Revolution
- For over 65 years, have made a difference in Philadelphia and in Pennsylvania
- Ownership's direct participation will guarantee success of this project

FINANCIAL STRENGTH

- A good steward of this license for Philadelphia and Pennsylvania is someone with financial strength
- The Procacci/Lomax team has the financial strength by itself to complete this project
- PHL is also backed by Jefferies and Company and Wells Fargo Securities, two premier international gaming investment banks

LOCAL BOARD OVERSIGHT

- PHL has a powerful board of nationally-recognized casino, hotel and financial management experts

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- They have broad and deep experience in gaming operations, hospitality, convention sales and services, food and beverage and finance.
- The board will ensure that Joe Procacci's vision, commitment and passion will continue for decades to come


MANAGEMENT

- THE PHL MANAGEMENT TEAM HAS OWNED, MANAGED, DESIGNED, DEVELOPED, FINANCED AND OPERATED CASINOS THROUGHOUT THE UNITED STATES.
- THE TEAM HAS HELD SENIOR EXECUTIVE POSITIONS IN GAMING COMPANIES SUCH AS STATION CASINOS WHICH IS THE PREMIER LOCAL GAMING OPERATOR IN LAS VEGAS, AND EMPRESS ENTERTAINMENT, THE FIRST AND MOST SUCCESSFUL CASINO OPERATION IN ILLINOIS AND INDIANA.
- SIMPLY STATED, JOE PROCACCI HAS BROUGHT TOGETHER A HIGHLY ACCOMPLISHED TEAM OF GAMING PROFESSIONALS WITH DECADES OF SUCCESS IN THE GAMING INDUSTRY.

TRANSFORMATIVE VISION FOR PHILADELPHIA

- Create an iconic structure that will change the skyline of South Philadelphia
- Catalyst for redevelopment of the Front and Pattison corridor
- Spur development through to the Stadium District

RENDERING OF HOTEL TOWER

- The aesthetic icon for the project is the hotel tower.
 - The tower sits on the site at an angle, to provide maximum exposure to I-95 as traffic flows around the bend.
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- The design is modern, with added flair that speaks to the Casino program; including striking geometry and lighting effects.
- The tower silhouette will become a visual signature of the property, almost logo-esque.
- The guest room floors will provide an average of 25 keys per floor.
- The “knife edge” of the tower includes two premium corner suites per floor. There will also be two deluxe suites per floor as well.

RENDERING OF THE BAR

- A cutting edge bar is located to serve as a “landmark” and meeting space...conveniently accessible to the entire floor. THE TECHNOLOGY IS GOING TO BE SO GOOD THAT YOU ARE GOING TO BE ABLE TO FEEL THE “THE VIBRATIONS OF A BAT HITTING A BALL OR THE HEAVY BREATH OF A FOOTBALL PLAYER.”


RENDERING OF THE SHIPYARD

- PHILADELPHIA’S GREAT CULINARY TRADITION WILL BE REFLECTED IN THE RESTAURANTS, SPORTS BARS AND CAFES IN THE CASINO.

\$428.0 MILLION PROJECT

- The Phase 1 program consists of a casino with 2400 slot machines, 105 table games, a 250 room hotel, an Italian Restaurant, a Steak House, a 300 seat buffet, Sports Bar, Coffee/Espresso Bar, 1600 car parking garage and 1,200 surface parking spots.

2,400 SLOT FLOOR LAYOUT

- The casino plan is classically organized around two zones of table games, with the cage and the food and beverage energizing the perimeter of the floor. Circulation paths will be generous and simple to understand.
 - Within the hotel footprint gaming is extended to serve high-limits players and VIPs. This area will be immediately accessible from the hotel elevators to provide convenience to the Casino. The hotel café and room service kitchen is located on the 2nd level of the hotel, visible from the hotel lobby.
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WE CAN OPEN A QUALITY FACILITY SOONER THAN ANYONE ELSE

- Utilize infrastructure on the site
- Allows accelerated opening of Phase 1 six months earlier than any other applicant
- Total construction build-out of 15-18 months
- Accelerated opening generates 600 jobs with gross payroll of \$10.0 million, over \$41.0 million Local and State tax revenues before any other applicant even opens

ACCELERATED LAYOUT

- The key to the expedited phase is that we are utilizing an existing building on the site, (Procacci Building 5) giving us an opportunity to open quickly, while the remaining project is being built
- An important feature of the design is that the final porte-cochere will be open and used on the first day. The customer's arrival and entry experience will never be disrupted during the construction of the remaining casino, parking garage, and hotel.
- This accelerated phase program provides 1,350 slot machines and 50 table games. A first class buffet and Italian Restaurant will serve the initial F&B needs. Valet parking services will be provided at the porte-cochere.

\$51.9 MILLION DOLLARS

- By opening our accelerated phase six months before any other applicant, we will be able to generate an additional \$40 million in tax revenue for the Commonwealth and an additional \$10 million of gross payroll for approximately 600 employees.

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**Casino Revolution
Accelerated Pennsylvania/Philadelphia Community
Benefit**

Accelerated Months Open Before Competitors	6
<u>Gaming & Related Taxes</u>	
Total PA State Tax	\$25,934,286
Total Philadelphia Tax (1st Class County)	3,146,047
Total EDTF	3,259,962
Total PRDF	7,171,916
Total Gaming & Related Taxes	<u>\$39,512,211</u>
Property Taxes	\$ 2,040,125
Gross Payroll	\$ 10,446,410
Number of Full Time Equivalent Employees	600

FUTURE EXPANSION TO MEET MARKET DEMAND

- Not only are we able to open 6 months earlier than any other applicant, the design for our casino affords us the ability to expand in response to market demand.
- Our project has been designed to allow for expansion to accommodate 5000 slot machines and 200 table games which is the maximum number of machines permitted by law.
- Even with the expansion of the casino to 5000 slot machines we still have 11 acres on which we can develop an additional entertainment and meeting space complex.

TAX REVENUE BENEFITS OF ABILITY TO EXPAND WITH MARKET DEMAND

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- Our plan affords maximum flexibility to meet all market conditions in an expeditious manner to maximize revenue (up to \$300 million per year) for the Commonwealth of Pennsylvania.

PHL Local Gaming Expansion Capability/Tax Impact

Number of Slot Machines	2,400	3,000	4,000	5,000
Net Gaming Revenue	\$ 315,648,317	\$ 398,942,644	\$ 548,409,212	\$ 714,475,889
Total State Tax	\$ 91,556,278	\$ 115,605,802	\$ 159,280,210	\$ 207,249,542
Total EDTF Tax	11,841,378	15,393,792	21,243,433	27,616,463
Total PRHDF Tax	26,051,032	33,866,342	46,735,552	60,756,218
City Share				
Total LSA Tax	11,049,518	14,136,370	19,465,557	25,336,103
Property Taxes	4,161,854	4,251,854	4,401,854	4,551,854
Total City Taxes	<u>15,211,372</u>	<u>18,388,224</u>	<u>23,867,411</u>	<u>29,887,957</u>
Total Taxes	<u>\$ 144,660,060</u>	<u>\$ 183,254,159</u>	<u>\$ 251,126,606</u>	<u>\$ 325,510,179</u>

SITE DESCRIPTION

Best site due to size and strategic location

Size is an advantage:

- 24 Acres of land in S. Philadelphia
- Need space to do urban casino properly - 20 acres or more
- Large development footprint
- Provides program flexibility to meet market demands and maximize revenue
 - Future expansion
 - Space for amenities
- Largest of the S. Philadelphia sites by far

Equal to or more important than size is the strategic nature of PHL's location



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- Unparalleled Access
- Minimal neighborhood interference
- Minimal adverse traffic impact

Location - Unparalleled Access:

- I-95 provides north south access
- I-76 provide east west access
- Proximity to 95 and 76 provides unmatched visibility to passing traffic
- Public transit via SEPTA

Not only are we near major highways, the streets where we are located are wide, with six lanes that create abundant capacity to accommodate casino traffic without causing congestion

The conclusion is clear - accessibility is a major advantage for PHL Local in terms of access from major roadways, but also in terms of wide streets to enter and exit the casino.

Our unparalleled access is purely due to our location.

Location - unique proximity to stadium and entertainment venues


NO NEED FOR PATRONS TO DRIVE THROUGH NEIGHBORHOODS

PHL Local's site is least intrusive to residential neighborhoods - key feature that is unique to our location

This means our patrons can gain access to our facility without driving through a neighborhood.

In a city like Philadelphia which was just ranked as the 9th most congested, this is very important and can only be achieved with the right location.

In conclusion, our site reduces the need for visitors to drive through surrounding areas and minimizes neighborhood disturbance.



MINIMAL ADVERSE COMMUNITY IMPACT

Our location allows for the benefit for sports and entertainment amenities without creating an adverse impact on traffic in the area

Why? Traffic coming in and out of the Casino Revolution is not anticipated to mix with stadium traffic.

This is a result simply of being in the right location.

PHL Local hired an engineering firm (Langan Engineering) perform an evaluation of our sites impact on local traffic.

Their conclusion was that the intersection of Front and Pattison is ideal for PHL Local's proposed casino and hotel and the surrounding road network will adequately accommodate the casino traffic.

Additionally, the City of Philadelphia's impact study indicated that our project would have no negative impact to municipal services and specifically, the water and sewer system.

Again, these attributes result from the strength of our property's location.

DISTANCE FROM RESIDENTIAL NEIGHBORHOODS


PHL Local's site is almost 1 mile from ANY residential neighborhoods

Not only do we have a size advantage, our location has the best access for patrons, is the most neighborhood friendly, and has the least negative impact upon traffic.

PHL LOCAL'S NEIGHBORS AND NEIGHBORHOODS ARE IMPORTANT

PHL Local's neighbors are almost a full mile away from Casino Revolution's Front & Pattison location but are close enough to reap the economic benefits of the revitalization of the South Philadelphia area that will flow when the doors of Casino Revolution open for business.

PHL Local has defined the neighborhood that stands to gain the most



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from Casino Revolution as spanning from Pattison Ave. on the South, to Snyder Ave. on the North, and from I-95 on the East out to 7th St. on the West. PHL Local's neighbors are primarily from the Whitman Plaza area, which is known as a close-knit community with strong neighborhood ties and full of traditions.

The Whitman Plaza area is but one of many Philadelphia unique neighborhoods. Philadelphia and Philadelphians are unique. We are a city of neighborhoods and we take great pride in who we are and where we come from. In Philadelphia, the name of your neighborhood isn't just something that you use to give directions, or a label you use when buying or selling your home. In Philadelphia, the neighborhood you come from in many ways speaks to who you are, how you were raised, and how you relate to your neighbors. In Philadelphia, neighborhoods are important.

Because Philadelphia neighborhoods are so important, it is critically important for anyone seeking to develop property in or near a neighborhood to know their neighbors and their neighborhood. At PHL Local, we know who our neighbors are; they are not strangers to us.

Joe Procacci and Dr. Lomax, PHL Local's iconic leaders, cut their teeth in the neighborhoods of South Philadelphia and know the importance and value of those "neighborhoods." For the last half of a century, Joe Procacci and Dr. Lomax have been an integral part of the South Philadelphia community. During that time, they and their families have flourished there, and they see this as an ideal opportunity to share that prosperity with their neighbors, with the city they love, Philadelphia, and with the Commonwealth of Pennsylvania.

During that time, Joe Procacci and Dr. Lomax have been strong leaders and good neighbors. Because of who they are and where they came from, Joe Procacci and Dr. Lomax are deeply committed to preserving and protecting the integrity of those neighborhoods. Their company, PHL Local Gaming, will be no different, and has already begun working with neighborhood and community leaders to develop programs to improve and enhance the neighborhoods bordering Casino Revolution.

There will be strong community support for PHL Local's Casino Revolution. As stewards of a license to own and operate a Philadelphia casino, the PHL Local team takes seriously our obligation to be an integral and



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positive part of our community and to be a good neighbor. To that end, PHL Local has have already undertaken a substantial outreach effort to engage and enlist the support of key community and civic leaders.

Wherever the PHL Local team has gone, the people with whom we've met, have greeted the PHL Local project with enthusiasm and support. Our neighbors and our civic leaders recognize that WE HAVE THE BEST SITE. They know that PHL Local is the only bidder that puts Philadelphia and Philadelphians First. PHL Local has met with elected officials at the State and Local Levels, and has reached out to more than 300 civic, community, business and political leaders with information about PHL Local's project.

Ours is not a one-way conversation. We have met with hospitality and tourism industry leaders to discuss forming strategic partnerships designed to attract new sources of tourism and to maximize revenue from our existing tourist base. We've listened and learned; visitors and tourists report that they believe that Philadelphia is lacking a fun or a Wow factor. Casino Revolution, with its spectacular hotel tower, fine dining, and entertainment venues will fill that void.

These hospitality and tourism leaders have told us that tourists visiting Philadelphia frequently schedule side trips to visit the Atlantic City casinos and that Philadelphia needs more of a fun factor to keep those tourists and those tourism revenues here in Philadelphia. Casino Revolution, with its first class appointments, will provide that fun factor, stop the diversion of tourism dollars to casinos outside of Philadelphia, and keep those tourist dollars here for the benefit of Philadelphia and Philadelphians.

Joe Procacci has done it before. Where everyone else saw only a tomato field in Naples, Florida, Joe Procacci saw something else. His vision and drive transformed 2000 acres of tomato field in Naples, FL into a World Class resort of over 40 country club communities, with two golf courses and a posh country club. His vision has attracted millions of dollars of revenues to that area. He did it before and will do it again right here in South Philadelphia with Casino Revolution.

**Community Outreach and The Creation and Funding of a
Casino Special Services District**



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PHL Local has met with the Board of the Stadium Complex Special Services District (“SCSSD”), whose district is approximately seven blocks away from the Casino Revolution site, and discussed with the concept of PHL Local forming and funding a Casino Special Service District that would in many ways mirror the SCSSD in terms of the goals and ways in which it serves its surrounding neighborhoods and communities. We have discussed with the SCSSD ways to partner with them to help achieve common goals and promote the goals of our respective constituencies. The SCSSD Board was enthusiastic and supportive of PHL Local’s proposal of creating our own Casino Special Services District, which would work cooperatively with the SCSSD, and of the planning and consideration that PHL Local has given to communities and surrounding neighborhoods.


PHL Local has also met with Deputy Mayor Greenberger and other City Planning officials to discuss our project and the idea of forming a Casino Special Services District. We have also sought guidance from the Center City Special Services District about how best to implement and maintain a special services district for PHL Local’s Casino Revolution project. Those discussions were both fruitful and cooperative.

Most importantly, we have met with community leaders from the Whitman Plaza area, who were very enthusiastic about and strongly supportive of our project and of the Special Services District PHL Local will be establishing in a strategic partnership with them.

PHL Local will establish and fund the Casino Revolution Special Services District (“CRSSD”) whose mission will be to:

1. Protect the interests of the local communities and neighborhoods in the area of Casino Revolution.
2. Improve the quality of life in the local communities and neighborhoods in the area of Casino Revolution.
3. Promote the Efficient Operation of Casino Revolution.

CRSSD will be a 501(c)(3) non-profit corporation and will serve the area bounded by Pattison Ave. to the South, Interstate #95 to the East, Snyder Ave. to the North, and 7th Street to the West. (See attached map of CRSSD boundaries) CRSSD will be guided by a Board of Directors that will include elected representatives of the communities and neighborhoods in the area of Casino Revolution, City and State officials, and PHL Local Gaming LLC



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executives.

CRSSD will be engaged in ongoing projects, programs, and studies to address neighborhood concerns and improve community quality of life. Areas of improvement include traffic and parking operations, street and sidewalk cleaning, tree care, landscape beautification, recreational facility upgrades, lighting enhancements, public safety initiatives and community events.

Because of PHL Local's concern for and consideration of our neighbors and their communities, PHL Local is the only applicant that will have deep and strong neighborhood support for our project. We have known our neighbors for more than a half a century and they support us because they know that PHL Local puts Philadelphia and Philadelphians First.

**CASINO REVOLUTION PROVIDES AN
OPPORTUNITY TO TRANSFORM THE SOUTH
PHILADELPHIA FOOD DISTRICT AREA**


The placement of Casino Revolution at Front St. & Pattison Ave. will spur additional development of the entire area between the Stadium Complex and Front Street. Casino Revolution will be an "anchor property" at the base of Pattison Ave. on Front St. that will act as a catalyst for development along Pattison Ave. out to the Stadium area. PHL Local can directly and indirectly drive that much needed development.

First, because of PHL Local's ample footprint - totaling 24 acres, we have the ability to expand our project by placing a second hotel tower and additional entertainment venues on our existing footprint.

Second, PHL Local's 24 acres abuts the vacant, 27 acre former Food Distribution Center site at 3rd St. and Pattison Ave., which is one of the most attractive parcels in Philadelphia for development, and which presents prime development opportunities for entertainment, retail and tourism venues.

Third, Joe Procacci owns additional properties between the proposed site for Casino Revolution and the stadiums, which could also be used for future development.

Fourth, PHL Local believes that the creation of a Casino Special Services District and the services provided by that SSD will result in other entrepreneurs and developers flooding into the PHL Local Impact Zone area



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based on their recognition of the tremendous development potential of the South Philadelphia Food District area.

Projected Economic Impact - JOBS

PHL Local's Casino Revolution will bring enormous economic benefits to Philadelphia, Philadelphians, and the Commonwealth of Pennsylvania:


\$428 Million Total Project Cost

- **2,599** Number of direct, indirect and induced **Philadelphia jobs**
- **3,188** Number of direct, indirect and induced **Pennsylvania jobs**
- \$65.2 Million **Projected construction payroll**
- **1,235** Number of construction jobs created (avg. wage \$52,800)
- **1,369** permanent Casino employees

Projected Economic Impact – TAXES & REVENUES

PHL Local Gaming's project will **generate enormous revenues for Philadelphia and for Commonwealth.**

\$147.2 Million Projected annually in city and state taxes & fees

- \$141 Million Estimated annual gaming taxes/regulatory fees
 - \$4.1 Million Estimated annual property taxes
 - \$1.8 Million Estimated annual Pennsylvania state sales and use taxes
 - \$300,000 Estimated annual Philadelphia city sales and use taxes
 - **\$56.5 Million Annual purchases for goods and services for ongoing operations**
 - Enormous economic benefits for local businesses
 - **4.1 Million Projected number of annual visitors**
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- **number is very conservative** as SugarHouse attracted two million visitors in 2011)

PHL Local's site affords the ability to expand up to the maximum of 5,000 slot machines, thereby maximizing revenues to Philadelphia, Philadelphians, and the Commonwealth.

Philadelphia First: PHL Local's Commitment to Philadelphia and Philadelphians

PHL Local is the only applicant with a Philadelphia First commitment.

Our commitment puts Philadelphia and local businesses first.

- Philadelphia Bid Preference, 7%
- S.E.PA Bid Preference, 5%

Philadelphia First - Job Creation:

Not just Talk, Empty Promises, or guarantees with a ton of loopholes or contingencies.

We have a track record; Joe Procacci is a man of his word; if he says it, he does it.

Procacci Brothers Employment Model

75% of Joe's workforce at PBS is Philadelphia residents

35% of his current workforce lives in South Philadelphia

Joe Procacci and PHL Local are committed to putting Philadelphia and Philadelphians First.

Philadelphia First: Top-Down Diversity Commitment

No Other Bidder Has Such an Advantage as to Diversity because it all starts with OWNERSHIP. We are the only Applicant that has such a significant African-American presence in ownership. Our unique diversity in

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ownership isn't diversity for diversity's sake. Dr. Walter Lomax is an extraordinarily successful and accomplished Philadelphia businessman and entrepreneur. Any business, anywhere, would be lucky to have a visionary partner like Dr. Lomax and his family.

Like Joe Procacci, Dr. Lomax came from nothing and through the force of his vision and sheer hard work, built enormous wealth and value for himself, his family, and his community.

Like Joe Procacci, Dr. Lomax is committed to having and maintaining a diverse workforce that mirrors the surrounding community.

Like Joe Procacci, Dr. Lomax is committed to providing economic opportunity to those who have not previously experienced economic success.

Like Joe Procacci, Dr. Lomax is committed to putting Philadelphian First.

It all starts with ownership and PHL Local Gaming's ownership is not just committed to Diversity; we guarantee it.

Impactful, Ambitious Diversity Plan

PHL Local Gaming's commitment To Diversity isn't based on loosely worded promises; we set specific and measurable goals, and will have an Advisory Board to oversee the attainment of those goals:

- Workforce/Casino: 35% Minority, 50% Female
- Workforce/Construction: 32% Minority, 7% Female
- Workforce/Construction Apprentices: 50% Minority, 7% Female
- Supplier Diversity/Construction: 32% Minority, 15% Female
- Supplier Diversity/Goods and Services: 35% Minority, 15% Female
- Youth Training Mandate to Construction Manager
 - Construction training program in building trades and development
 - PHL Local has already reached out to Youth Build Philadelphia



MERIT PHL, LLC

Slot Operator and Management Company – Application and Disclosure Information Form

Charter School to help us facilitate our Youth Training Mandate:

- creating a positive vision and learning environment for young Philadelphians
- Serves as a springboard and help our young people achieve their potential



**ECONOMIC IMPACT OF THE
PLANNED CASINO REVOLUTION
(ACCELERATED OPENING)**

PHILADELPHIA, PENNSYLVANIA

FEBRUARY 2013



Att: Joseph G. Procacci
PHL Local Gaming LLC
3333 S. Front Street
Philadelphia, PA 19148

Dear Mr. Procacci:

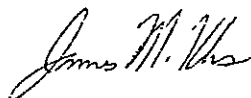
KlasRobinson Q.E.D. is pleased to present the accompanying report entitled: "Economic Impact of the Planned Casino Revolution (Accelerated Opening)," which has been prepared in accordance with our engagement letter. The report presents an analysis of the economic impact of the planned development on local and state economies, including tax revenue generated to the local, state and federal governments. We have also examined the impact of the planned casino and hotel complex on employment, state and federal government services and tourism.

Our analysis is based on the facilities, utilization estimates and financial projections provided by members of the project team, as well as figures provided by various state agencies pertaining to issues such as employment information. No effort has been made to obtain independent verification of the source data, which has been assumed to be accurate. Under the terms of our engagement we are under no obligation to revise this report to reflect events occurring after the completion date shown below.

Our report is intended for PHL Local Gaming, LLC, Casino Revolution and other members of the project team for use in public relations and lobbying efforts. It may, therefore, be distributed to the press, to various interest groups and to governmental representatives. Under no circumstances can this report be used for financing. Publication of the report or any information contained therein in any manner must explicitly indicate that it was prepared by KlasRobinson Q.E.D.

February 5, 2013

KlasRobinson Q.E.D.



James M. Klas
Founder & Principal



Matthew S. Robinson
Founder & Principal

ECONOMIC IMPACT OF PLANNED CASINO REVOLUTION (ACCELERATED OPENING)

Letter of Transmittal

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ADDENDUM: PROFILE OF **KlasRobinson** Q.E.D.

INTRODUCTION

BACKGROUND

In pursuit of the Philadelphia, Pennsylvania gaming license, PHL Local Gaming, LLC has proposed Casino Revolution, a major casino hotel development at 3333 S. Front Street in Philadelphia, Pennsylvania.

In an effort to better educate the public and to provide current, factual, supportable information to submit to Federal, State and Local governments, PHL Local Gaming, LLC has commissioned a study demonstrating the economic benefits of the planned Casino Revolution development.

KlasRobinson Q.E.D. was selected to perform this study due to its accumulated experience in analyzing casinos throughout the United States, as well as its experience in estimating the economic impact of individual projects and entire industries. For additional information on KlasRobinson Q.E.D. refer to the addendum. **Q.E.D.**

OBJECTIVE

The purpose of this study is to quantify, to the extent possible, the benefits accruing from the planned Casino Revolution to Philadelphia County and the State of Pennsylvania. The study provides estimates of the direct, indirect and induced impacts from the planned Casino Revolution complex.

Direct impacts are changes in the industry in which a final demand change is made. In the case of the planned Casino Revolution, direct impacts are those generated directly, including employment, wages, purchases of goods and services, as well as taxes or payments in lieu of taxes paid to the local, state and/or federal governments.

Indirect impacts are changes in the inter-industry purchases as they respond to the demands of the directly affected industry, namely the presence of the planned Casino Revolution operation in the local and regional economy. This includes increased production and subsequent employment, earnings and expenditures at businesses, many located in the area and region, which supply goods and services to the planned Casino Revolution.

Induced impacts are derived from changes in spending from households as income/population increases or decreases due to changes in the production. This includes increased production and subsequent employment, earnings and expenditures at area and regional businesses that supply goods and services to the employees of the planned Casino Revolution complex.

Indeed, as will be apparent, the magnitude of the direct, indirect and induced benefits provides compelling evidence of the overwhelming positive impact that the planned Casino Revolution complex will generate.

APPROACH & METHODOLOGY

The primary source material for this study was derived from information provided by members of the Casino Revolution project team. Supplemental data was provided by various state and federal agencies pertaining to issues such as existing casino operations, employment and wage information.

Estimates of indirect and induced impact were prepared by Klas Robinson Q.E.D. using the IMPLAN (Impact Analysis for PLANing) economic model originally developed for the USDA Forest Service in cooperation with the Federal Emergency Management Agency and the USDI Bureau of Land Management. The IMPLAN model was developed at the University of Minnesota and is maintained by Minnesota IMPLAN Group in Stillwater. The IMPLAN model has been in use since 1979. The IMPLAN model accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis and the rectangular format recommended by the United Nations.

Induced impact calculated by the IMPLAN model reflects changes in spending from households as income/population increases or decreases due to changes in production, effectively measuring the impact of wages paid as they cycle through the economy. Indirect impact calculated by the IMPLAN model reflects changes in inter-industry purchases, effectively measuring the impact of expenditures for other goods and services by the tribal enterprises as they too cycle through the economy. Three levels of indirect and induced impact have been calculated: output - equivalent to GDP, employment, and earnings - equivalent to personal income.

ASSUMPTIONS

The planned Casino Revolution is assumed to include the following facilities:

- .. ***A first-class casino with 2,400 slot machines, 80 table games and 25 poker tables, as well as pari-mutuel area***
- .. ***A 250-unit upscale connected hotel with fitness center***
- .. ***300-seat Buffet, 156-seat café, 100-seat steakhouse, 100-seat Italian restaurant, small coffee shop, several bars and a 3,000 square-foot event area.***
- .. ***Small gift/retail shop***

The complex as a whole is assumed to be comparable in quality, if not size, to other first class casinos and casino resort developments in the region.

EXECUTIVE SUMMARY

The following section presents a summary of the findings and conclusions from the February 2013 study entitled, ***"Economic Impact of the Planned Casino Revolution (Accelerated Opening)"***, conducted by KlasRobinson Q.E.D. on behalf of PHL Local Gaming, LLC.

Q.E.D. ∴

DIRECT IMPACT

- ∴ Total project cost of \$428.0 million, including an estimated \$65.2 million in construction payroll, which equates to an estimated 1,235 full-time equivalent construction jobs for a period of 12-months.
- ∴ 1,369 jobs at Casino Revolution.
- ∴ Annual payroll of \$34.5 million and an additional \$4.3 million in annual tip income.
- ∴ More than \$1.1 million annually in additional employee benefits over \$800 per year per employee.
- ∴ Annual payroll related tax revenue of almost \$11.5 million.
- ∴ Total annual gaming taxes and regulatory fees are estimated to equal \$141.0 million.
- ∴ Annual Property Taxes are estimated to equal \$4.1 million.
- ∴ Annual Sales and Use Taxes for the State of Pennsylvania are estimated to equal \$1.8 million.
- ∴ Annual Sales and Use Taxes for Philadelphia are estimated to equal \$300,000.
- ∴ Over \$56.5 million in annual purchases for goods and services for on-going operations.
- ∴ 4.1 million annual visitors including 131,000 overnight guests per year.

MULTIPLIER IMPACT

- ∴ Indirect and induced annual output of \$197.0 million for Philadelphia County and \$250.0 million for the State of Pennsylvania as a whole.
- ∴ Indirect and induced employment of 1,230 jobs for Philadelphia County and 1,819 jobs for the State of Pennsylvania as a whole.
- ∴ Indirect and induced earnings of \$66.0 million for Philadelphia County and \$93.0 million for the State of Pennsylvania as a whole.

SOURCE: KlasRobinson Q.E.D.

DIRECT IMPACTS

GENERAL

A casino of the magnitude proposed will have a direct impact, not only on Philadelphia County, but on the economy of the entire State of Pennsylvania. Direct expenditures in the form of wages to the new employees, and purchases of goods and services from various suppliers and industries will bring an increased measure of vitality to the area. The following section provides a summary of the estimated levels of employment, revenue for government and direct expenditures that the planned Casino Revolution complex will generate on a stabilized annual basis. All estimates are in current year dollars.

CONSTRUCTION IMPACT

The total cost of the planned Casino Revolution project is estimated to equal \$428.0 million to develop. A project of this size is expected to take approximately 12 to 18 months to complete. Approximately 38.0 percent of the total development cost will be comprised of hard construction and site work expenditures, including an ***estimated \$65.2 million in construction payroll.***

The remaining 62.0 percent will include furnishings, fixtures, equipment, fees, working capital, pre-opening costs, gaming license fees and construction interest. Based on an annual average construction wage of \$52,800, which is considered conservative by industry standards for the area, that equates to ***approximately 1,235 full-time equivalent construction jobs, assuming a 12-month construction period.***

EMPLOYMENT

Based on estimates provided by members of the project team, ***the planned Casino Revolution complex is estimated to create approximately 1,369 jobs on a stabilized basis.***

In order to determine the reasonableness of projected employment at the planned Casino Revolution development, we examined the number of employees at other Pennsylvania casino locations. As presented in the following table, the number of employees is divided by the number of gaming devices, resulting in the ratio of employees per device. For the purpose of this comparison a slot machine, poker table or table game is each considered a gaming device.

PENNSYLVANIA CASINO EMPLOYMENT COMPARISON

Name	Location	Devices	Hotel Rooms	Employees	Employees Per Device
Valley Forge Casino Resort	King of Prussia	650	488	1,185	1.82
Mohegan Sun at Pocono Downs	Wilkes-Barre	2,416	UC	1,832	0.76
SugarHouse Casino	Philadelphia	1,656		1,098	0.66
Harrah's Philadelphia Casino & Racetrack	Chester	2,919		1,883	0.65
Mount Airy Casino Resort	Mount Pocono	2,145	188	1,315	0.61
Sands Casino Resort	Bethlehem	3,176	300	1,910	0.60
Rivers Casino	Pittsburgh	3,074		1,801	0.59
Hollywood Casino at Penn National	Grantville	2,552		1,389	0.54
Parx Casino	Bensalem	3,722		1,744	0.47
Presque Isle Downs & Casino	Erie	2,119		960	0.45
The Meadows	Meadowlands	3,396		1,289	0.38
Total		27,825	976	16,406	

Average (Mean)

0.59

Median

0.60

Planned Casino Revolution (Accel. Open.)

0.55

Philadelphia

1,369

Source: Pennsylvania Gaming Control Board and KlasRobinson Q.E.D.

The employee to device ratio ranges from 0.38 to 1.82 with an average (mean) of 0.59 employees per device and a median of 0.60 employees per device. The planned Casino Revolution (Accelerated Opening) development will have an employee to device ratio of 0.55, just below the average (mean) and median employees per device, but well within the range for Pennsylvania casinos. Based on the number of devices at the planned Casino Revolution in relation to other Pennsylvania casinos, the projected employment seems reasonable, if not conservative.

WAGES AND EARNINGS

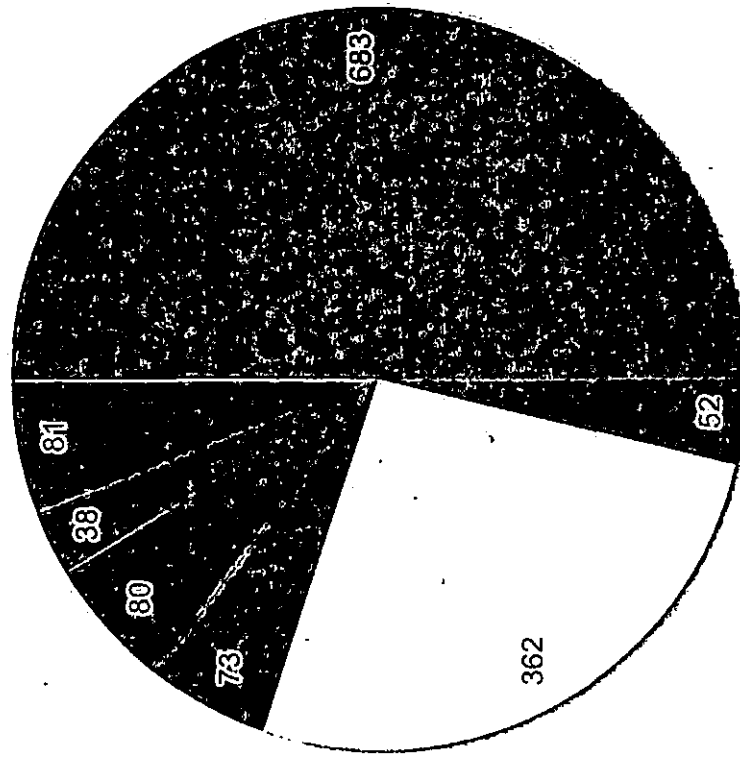
Based on estimates provided by members of the project team, total wages for the planned Casino Revolution complex are projected to equal approximately **\$34.5 million** on a stabilized basis, or approximately **\$25,200 per job**. Tipped employees are projected to earn an additional **\$4.3 million in tip income** annually on a stabilized basis, bringing **total direct earnings to \$38.9 million** and average earnings per job to **\$28,400 annually**. The following table presents a breakdown of the estimated jobs and wages by category for the planned PHL Casino complex. This information is presented graphically on the following pages.

<u>Estimated Direct Employment & Earnings</u>							
CATEGORY	EMPLOYMENT	TOTAL WAGES	AVG. WAGES PER EMPLOYEE	TIPS	TOTAL EARNINGS	AVG. EARNINGS PER EMPLOYEE	
GAMING	683	\$15,667,000	\$22,900	\$2,646,000	\$18,313,000	\$26,800	
HOTEL	52	1,086,000	20,900	218,000	1,304,000	25,100	
F & B	362	7,003,000	19,300	1,474,000	8,477,000	23,400	
A & G	73	5,700,000	78,100	-	5,700,000	78,100	
SECURITY	80	2,586,000	32,300	-	2,586,000	32,300	
MARKETING	38	704,000	18,500	-	704,000	18,500	
P, O & M	81	1,794,000	22,100	-	1,794,000	22,100	
TOTAL/AVERAGE	1,369	\$34,540,000	\$25,200	\$4,338,000	\$38,878,000	\$28,400	

Source: KlasRobinson Q.E.D.

It is important to note that these jobs and associated earnings are directly related to the planned Casino Revolution complex and its associated ancillary facilities including food and beverage outlets, entertainment and retail areas. The previous estimates do not take into account jobs at area establishments including lodging, retail, gasoline and other goods and services due to an increase in area visitors attributed to the subject gaming facilities.

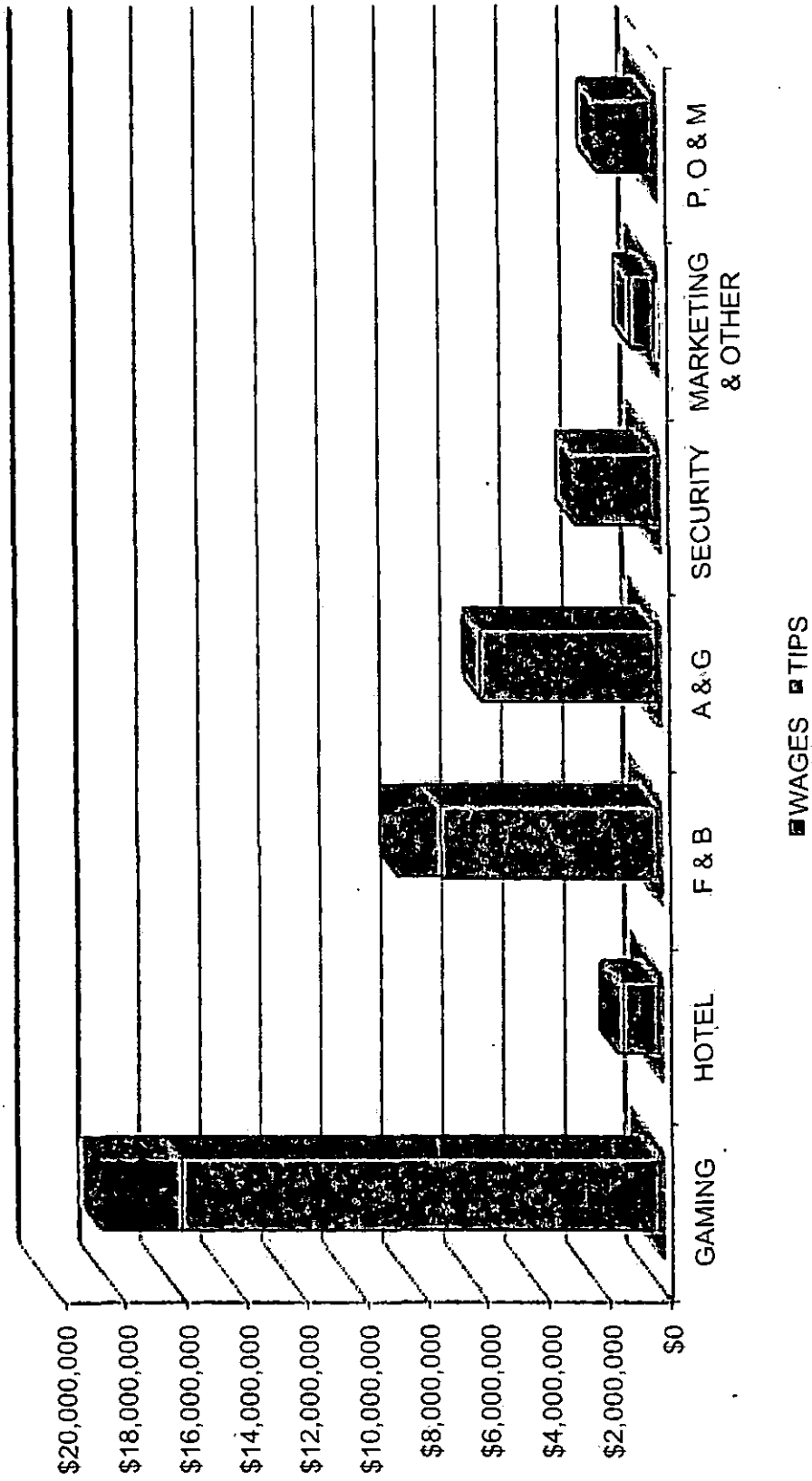
STABILIZED EMPLOYMENT BY POSITION



■ GAMING ■ HOTEL F & B ■ A & G ■ SECURITY ■ MARKETING ■ P, O & M

∴ DIRECT IMPACTS

Annual Wages and Tip Income



∴ DIRECT IMPACTS

Based on information provided by the Bureau of Labor Statistics, comparable service industry positions in the Philadelphia area had an average (mean) annual wage per job of \$30,590 in 2011, with a median annual wage of \$27,360 for the same period. In comparison, the average wage per job for the planned Casino Revolution complex equals \$25,200 (not including tip income), below the average (mean) and median comparable service industry annual wage for the region, but well within the range for comparable service industry positions. The following table presents a comparison of average annual wages for service industry positions in the Philadelphia area.

2011 Comparable Service Industry Annual Wage	
Occupation title	Average Annual Wage
Gaming Supervisors	\$67,050
Chefs and Head Cooks	\$50,090
Computer, Automated Teller, and Office Machine Repairers	\$46,180
First-Line Supervisors of Housekeeping and Janitorial Workers	\$44,130
Entertainment Attendants and Related Workers, All Other	\$43,290
Gaming Surveillance Officers and Gaming Investigators	\$40,540
Human Resources Assistants, Except Payroll and Timekeeping	\$40,180
First-Line Supervisors of Food Preparation and Serving Workers	\$40,170
Customer Service Representatives	\$38,280
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$35,250
Cooks, Restaurant	\$30,420
Security Guards	\$29,840
Concierges	\$29,810
Coin, Vending, and Amusement Machine Servicers and Repairers	\$29,320
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$28,590
Landscaping and Groundskeeping Workers	\$27,940
Locker Room, Coatroom, and Dressing Room Attendants	\$27,470
Retail Salespersons	\$27,250
Tellers	\$26,940
Hotel, Motel, and Resort Desk Clerks	\$25,910
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	\$25,660
Bartenders	\$24,920
Maids and Housekeeping Cleaners	\$24,850
Cooks, Short Order	\$24,230
Laundry and Dry-Cleaning Workers	\$24,100
Food Preparation Workers	\$23,330
Waiters and Waitresses	\$22,300
Baggage Porters and Bellhops	\$22,240
Cashiers	\$20,750
Cooks, Fast Food	\$20,210
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$20,200
Amusement and Recreation Attendants	\$20,190
Dishwashers	\$19,660
Dining Room and Cafeteria Attendants and Bartender Helpers	\$18,770
Average (Mean)	\$30,590
Median	\$27,360
Planned Casino Revolution Complex	\$25,200

Source: Bureau of Labor Statistics and KlasRobinson Q.E.D.

OTHER BENEFITS

In addition to the wages, the proposed facilities would set aside additional funds for employee benefits to the estimated 1,369 employees including health insurance, workers compensation and other employee benefits such as employee meals, uniforms, etc. Combined, ***other benefits are projected to equal more than \$1.1 million annually on a stabilized basis, which equates to over \$800 per employee per year.***

PAYROLL AND RELATED TAXES

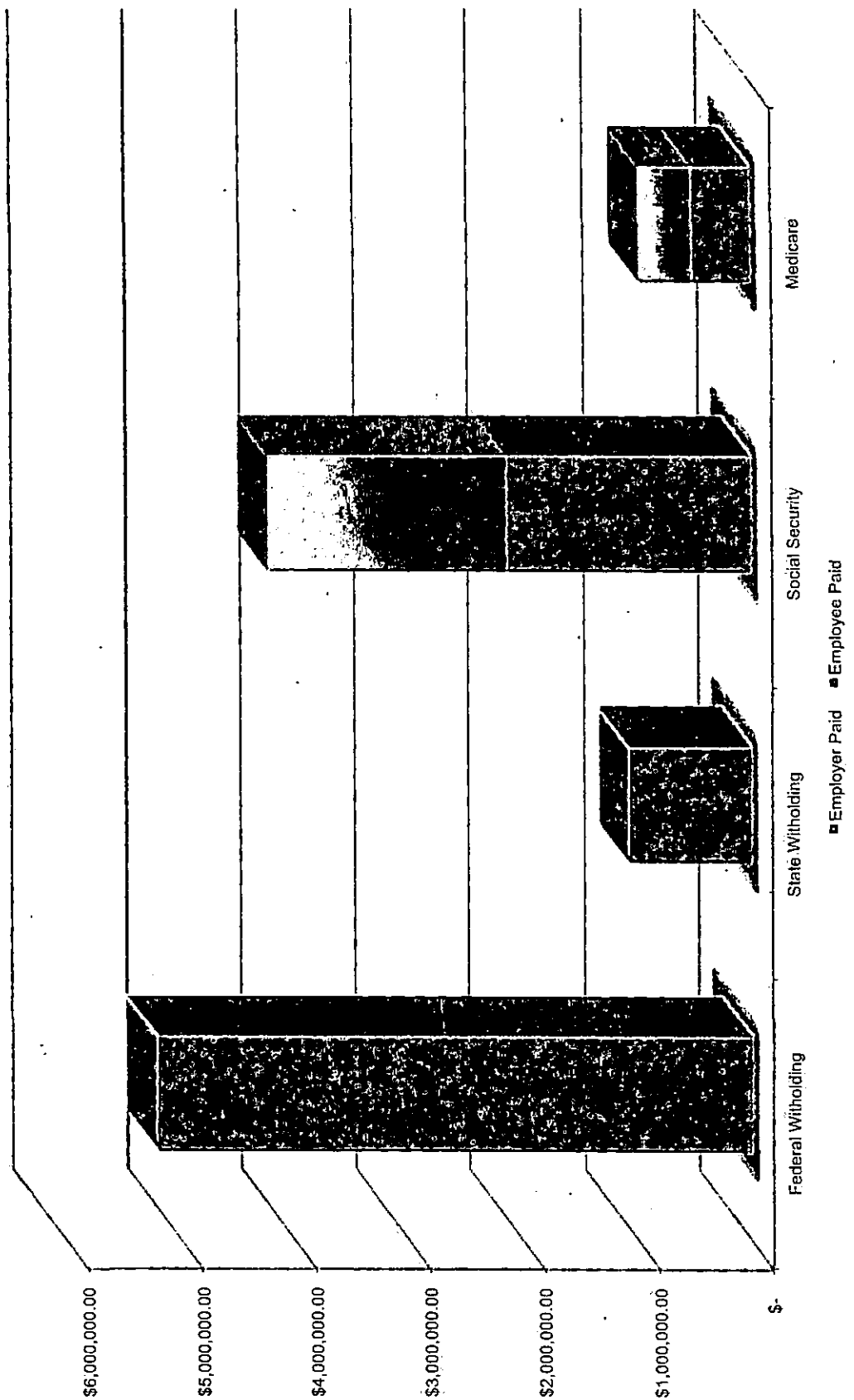
The planned Casino Revolution complex will generate payroll related taxes including Federal and State withholding, Social Security and Medicare taxes. ***The planned Casino Revolution is estimated to generate almost \$11.5 million annually.***

The following table presents the estimated direct payroll related taxes that will be generated by the complex.

<u>Annual Payroll Related Taxes</u>	
Federal Withholding	\$5,181,000
State Withholding	1,060,000
Social Security - Employer Paid	2,107,000
Social Security - Employee Paid	2,107,000
Medicare - Employer Paid	484,000
Medicare - Employee Paid	<u>484,000</u>
Total	\$11,423,000

Source: Casino Revolution Project Team and KlasRobinson Q.E.D.

Annual Payroll Related Taxes



OTHER TAXES AND FEES

Gaming Taxes

Gaming taxes are based on the current structure paid by commercial casinos in Pennsylvania to the state.

In Pennsylvania, State Slot Taxes equal 34.0 percent of net slot win. ***State Slot Taxes are estimated to equal approximately \$78.0 million in year one, increasing annually to \$88.0 million in year five.***

In addition, the host County receives a Local Share Assessment (LSA) of 2.0 percent of net slot win. The host Township also receives a Local Share Assessment (LSA) of 2.0 percent of net slot win. ***The LSA for the County is estimated to equal \$4.6 million in year one, increasing annually to \$5.2 million in year five. The LSA for the Township is estimated to equal \$4.6 million in year one, increasing annually to \$5.2 million in year five.***

There is an additional 5.0 percent tax on net slot revenue for the Pennsylvania Gaming Economic Development and Tourism Fund (EDTF). ***The EDTF is estimated to equal \$11.5 million in year one, increasing annually to \$12.9 million in year five.***

State Banked and Non-Banked Table Game Taxes each equals 16.0 percent of net table game win for the first two full years of operation, decreasing to 14.0 percent thereafter. ***State Banked Table Game Taxes are estimated to equal between \$9.2 million and \$9.5 million for the period under analysis. State Non-Banked Table Game Taxes are estimated to equal between \$1.0 million and \$1.1 million for the period under analysis.***

In addition, there is also a Local Share Assessment (LSA) of 2.0 percent of net table win for both Banked and Non-Banked table games. ***Total Banked and Non-Banked Table Game LSAs are estimated to equal approximately \$1.5 million in year one, increasing annually to almost \$1.7 million in year five.***

The Pennsylvania Race Horse Development Fund (PRHDF) also receives a portion of gaming revenues to supplement its purses. ***The PRHDF is estimated to receive approximately \$25.3 million in year one, increasing annually to \$28.5 million in year five.***

Gaming Regulatory Fees

Regulatory Fees paid to the Pennsylvania Gaming Control Board are estimated to equal 1.5 percent of net gaming revenues. **Regulatory fees are estimated to equal \$4.6 million in year one, increasing annually to \$5.2 million in year five.**

Combined, total gaming taxes and regulatory fees are estimated to equal \$141.0 million in year one, increasing annually to \$157.0 million in year five.

Property Taxes

Estimated Gross Property Taxes are based on current property tax rates in Philadelphia, Pennsylvania and estimated value of the improved property. **Property taxes are estimated to equal \$4.1 million in year one, increasing annually to almost \$4.4 million in year five.**

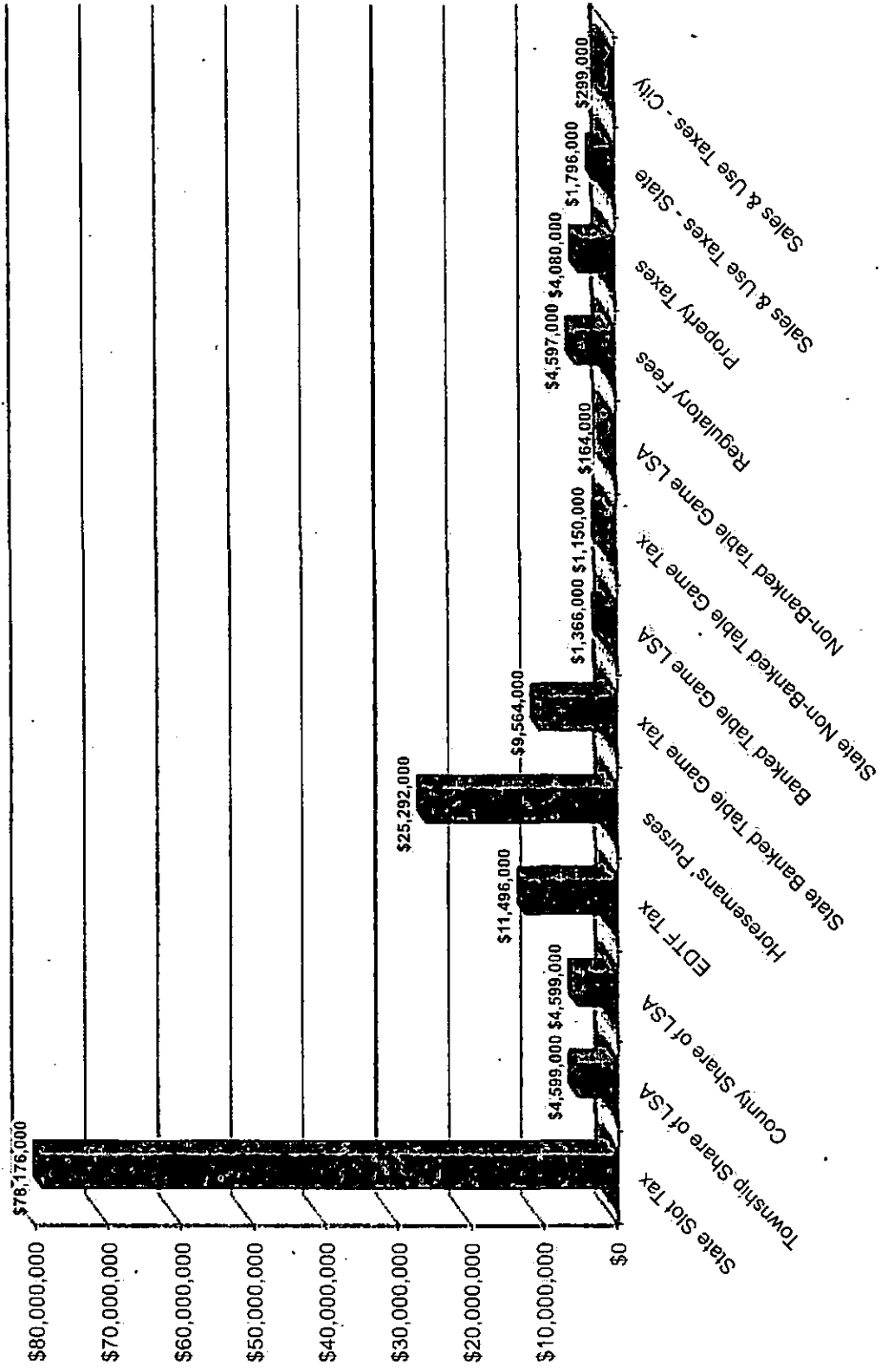
Sales and Use Taxes

The State of Pennsylvania has a Sales and Use Tax on the purchase of tangible personal property and some services of 6.0 percent which applies to hotel overnight stays (Of less than 30 days), retail sales as well as sales at bars and restaurants. **Sales and Use Taxes for the State of Pennsylvania are estimated to equal \$1.8 million in year one, increasing to \$2.0 million in year five.**

The City of Philadelphia currently has an additional City Sales and Use Tax of 2.0 percent, also applicable to hotel overnights, retail sales and sales at bars and restaurants. The Sales and Use Tax in Philadelphia is estimated to be reduced to 1.0 percent in July 2014. Based on the new rate of 1.0 percent, **Sales and Use Taxes for the City of Philadelphia are estimated to equal almost \$300,000 in year one, increasing to over \$330,000 in year five.**

The graph on the following page presents a summary of annual other taxes and fees for the planned Casino Revolution complex.

ANNUAL OTHER TAXES AND FEES - YEAR ONE



∴ DIRECT IMPACTS

PURCHASES OF GOODS AND SERVICE

In addition to employment, wages and taxes, the planned Casino Revolution complex will spend considerable sums within the county and the state to purchase goods and services for on-going operations. Estimates of goods and services purchased were derived from estimates provided by members of the project team. Departmental costs were then segmented into the various sub-classifications of expenditures presented in this study. The following table presents a summary of the estimated annual expenditures by the planned Casino Revolution for goods and services. Player comps and other internal discounts have been excluded. Descriptions of the various categories are on the page that follows.

<u>Direct Annual Expenditures for Goods & Services</u>	
<u>CATEGORY</u>	<u>TOTAL</u>
ADVERTISING & PROMOTION	\$28,702,000
FOOD & BEVERAGE	6,939,000
GAMING SUPPLIES	1,354,000
NON-GAMING SUPPLIES	6,126,000
CONTRACT & SERVICES	6,351,000
UTILITIES	1,596,000
GENERAL INSURANCE	3,000,000
MAINTENANCE SUPPLIES & CONTRACTS	989,000
<u>OTHER ADMINISTRATION</u>	<u>1,454,000</u>
TOTAL	\$56,511,000

Source: KlasRobinson Q.E.D.

As presented above, on a stabilized basis, the *planned Casino Revolution Complex is estimated to purchase over \$56.5 million annually in goods and services for on-going operations.*

The various expenditure categories listed in the previous table and graph are described below.

- ∴ **Advertising & Promotion** Includes expenditures for advertising in the print, radio or television media, as well as outdoor signs. Also included are the costs of production for advertising, purchases of prizes and awards, and donations and sponsorships.
- ∴ **Food & Beverage** Includes purchases of food and beverage raw materials for the restaurant and bar operations.
- ∴ **Gaming Supplies** Includes purchases of gaming supplies for the casino, bingo and other gaming activities for on-going operations.
- ∴ **Non-Gaming Supplies** Includes the costs of office supplies, paper and cleaning products and other supplies needed for on-going operations. Also included are the supply costs for the hotel, convention/entertainment complex, food and beverage operations, as well as the cost of goods sold in the gift/retail outlets.
- ∴ **Contracts & Services** Includes fees for live performers, professional fees, contract labor, linen and cleaning services and other related items. Also included are fees for leased equipment.
- ∴ **Utilities** Includes, as applicable, the costs of electricity, gas, fuel, water and waste removal, as well as telephone costs.
- ∴ **Insurance** Includes property insurance and liability insurance.
- ∴ **Maintenance Supplies & Contracts** Includes supplies and repair costs as well as maintenance contracts. Maintenance labor costs are included under the wage estimates previously discussed.
- ∴ **Other Administrative** Includes bank charges, other cash handling costs, dues and fees, travel and business entertainment and the multitude of other miscellaneous administrative costs attendant to a complex of this size.

IMPACT ON TOURISM

The planned Casino Revolution complex will attract millions of visitors each year. ***The annual number of visitors at the planned casino is estimated to equal approximately 4.1 million visitors on an annual basis,*** based on an average gaming expenditure per patron of \$75.00 per visit.

While casinos in Pennsylvania do not publish attendance figures, such information is available for numerous casinos in other markets around the country. The following table presents the average win per attendee for casinos and casino markets around the United States.

Average Win Per Admission

Market/Facility	Avg. Win Per Admission
Metropolis, IL (1)	\$116
Louisville Area - IN (1)	\$108
Chicago Area IL (5)	\$107
Chicago Area IN (4)	\$105
Cincinnati Area - IN (3)	\$100
Baton Rouge, LA (2)	\$98
Evansville, IN (1)	\$88
East Peoria, IL (1)	\$88
Marquette, IA (1)	\$84
Council Bluffs, IA (3)	\$80
Michigan City, IN (1)	\$77
French Lick, IN (1)	\$77
MS - Gulf Coast Counties (11)	\$75
New Orleans, LA (5)	\$74
Altoona, IA (1)	\$72
Lake Charles, LA (2)	\$72
MS - Mississippi River Counties (19)	\$71
Osceola, IA (1)	\$70
Saint Louis Area - IL (2)	\$68
Sioux City, IA (1)	\$67
Shreveport/Bossier City, LA (5)	\$67
Northwood, IA (1)	\$62
Quad Cities IA (2)	\$61
Emmetsburg, IA (1)	\$60
Dubuque, IA (2)	\$57
Quad Cities IL (1)	\$57
Fort Madison, IA (1)	\$57
Waterloo, IA (1)	\$57
Clinton, IA (1)	\$56
Riverside, IA (1)	\$45
Larchwood, IA (1)	\$40
Booneville, MO (1)	\$35
Caruthersville, MO (1)	\$34
Kansas City, MO (4)	\$33
Saint Louis Area - MO (4)	\$32
St. Joseph, MO (1)	\$31
LaGrange, MO (1)	\$30
Average (Mean)	\$67.86
Median	\$68.00
Planned Casino Revolution	\$75.00

Source: KlasRobinson Q.E.D.

As presented on the preceding table, the average win per admission ranges from a low of \$30.00 to a high of \$116.00 per admission, with an average (mean) of \$67.86 and a median of \$68.00 per admission. In comparison, the planned Casino Revolution complex is estimated to achieve an average win per admission of \$75.00, well within the range, albeit slightly above the mean and median of published properties and markets. The planned casino will have a hotel, as well as significant ancillary facilities and amenities, superior, if not comparable to the casinos and casino markets presented above. Accordingly, the estimated average win per admission at the planned Casino Revolution complex is considered reasonable, if not conservative.

These 4.1 million visitors will not only visit the subject property for the day, but also spend the night, particularly those from outside the Philadelphia area. As discussed previously, the planned Casino Revolution will include a 250-unit hotel.

According to estimates provided by members of the project team, the hotel component is estimated to achieve a stabilized occupancy rate of 80.0 percent, which equates to almost **73,000 roomnights per year**.

By applying an average of 1.8 guests per room, standard for the casino industry, this equates to **more than 131,000 visits annually by overnight casino patrons**, not to mention casino visitors staying at other hotels in the area. These overnight casino guests will not only spend money at the planned Casino Revolution complex, but at area gas stations, restaurants, bars, retail establishments and attractions. Furthermore, the more time visitors spend in the Philadelphia area, the greater the amount of money spent at area businesses.

INDIRECT AND INDUCED IMPACTS

GENERAL

The concepts of indirect and induced impact are among the most widely used and poorly understood tools in economic analysis. Fundamentally they are based upon an extension of the direct expenditures by the businesses and their patrons described above. Money spent at tribal enterprises is redistributed back into the economy in the form of wages, taxes and expenditures for goods and services.

In the case of gaming operations, money is never actually "lost" in a casino. Rather it too is redistributed back into the economy in the form of wages, taxes and expenditures for goods and services. In the same manner that the casino redistributes the gaming win and other revenue it receives, the people to whom those wages are paid and from whom the goods and services are purchased further redistribute the money they receive in wages to their employees and purchases for their own operating needs. It is the measurement of this on-going cycle of redistribution which estimates of indirect and induced impact attempt.

Estimates of indirect and induced impact were prepared by Klas Robinson Q.E.D. using the IMPLAN (IMPact Analysis for PLANing) economic model originally developed for the USDA Forest Service in cooperation with the Federal Emergency Management Agency and the USDI Bureau of Land Management. The IMPLAN model was developed at the University of Minnesota and is maintained by Minnesota IMPLAN Group in Stillwater. The IMPLAN model has been in use since 1979. The IMPLAN model accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis and the rectangular format recommended by the United Nations.

Induced impact calculated by the IMPLAN model reflects changes in spending from households as income/population increases or decreases due to changes in production, effectively measuring the impact of wages paid as they cycle through the economy. Indirect impact calculated by the IMPLAN model reflects changes in inter-industry purchase, effectively measuring the impact of expenditures for other goods and services by the tribal enterprises as they too cycle through the economy. Three levels of impact have been calculated: output - equivalent to GDP, employment, and earnings - equivalent to personal income.

OUTPUT

Indirect and induced output includes increases in production and/or sales at area businesses due to the increased demand generated by the planned Casino Revolution development, as well as at businesses impacted by the providers of goods and services to the planned Casino Revolution development. Based upon estimates of direct output provided by members of the project team, the total induced and indirect impact on the economic output (GDP) of Philadelphia County from operations at the planned Casino Revolution development is estimated to equal approximately \$197.0 million annually. Total induced and indirect output impact on the State of Pennsylvania as a whole is estimated to equal approximately \$250.0 million annually.

Adding the direct impact on annual output from the planned Casino Revolution development to the indirect and induced annual impact yields a total estimated annual impact on output of approximately \$534.0 million for Philadelphia County and \$587.0 million for the State of Pennsylvania as a whole.

The following table presents a summary of the estimated annual impact on economic output from the planned Casino Revolution development. The chart on the next page presents the following information graphically.

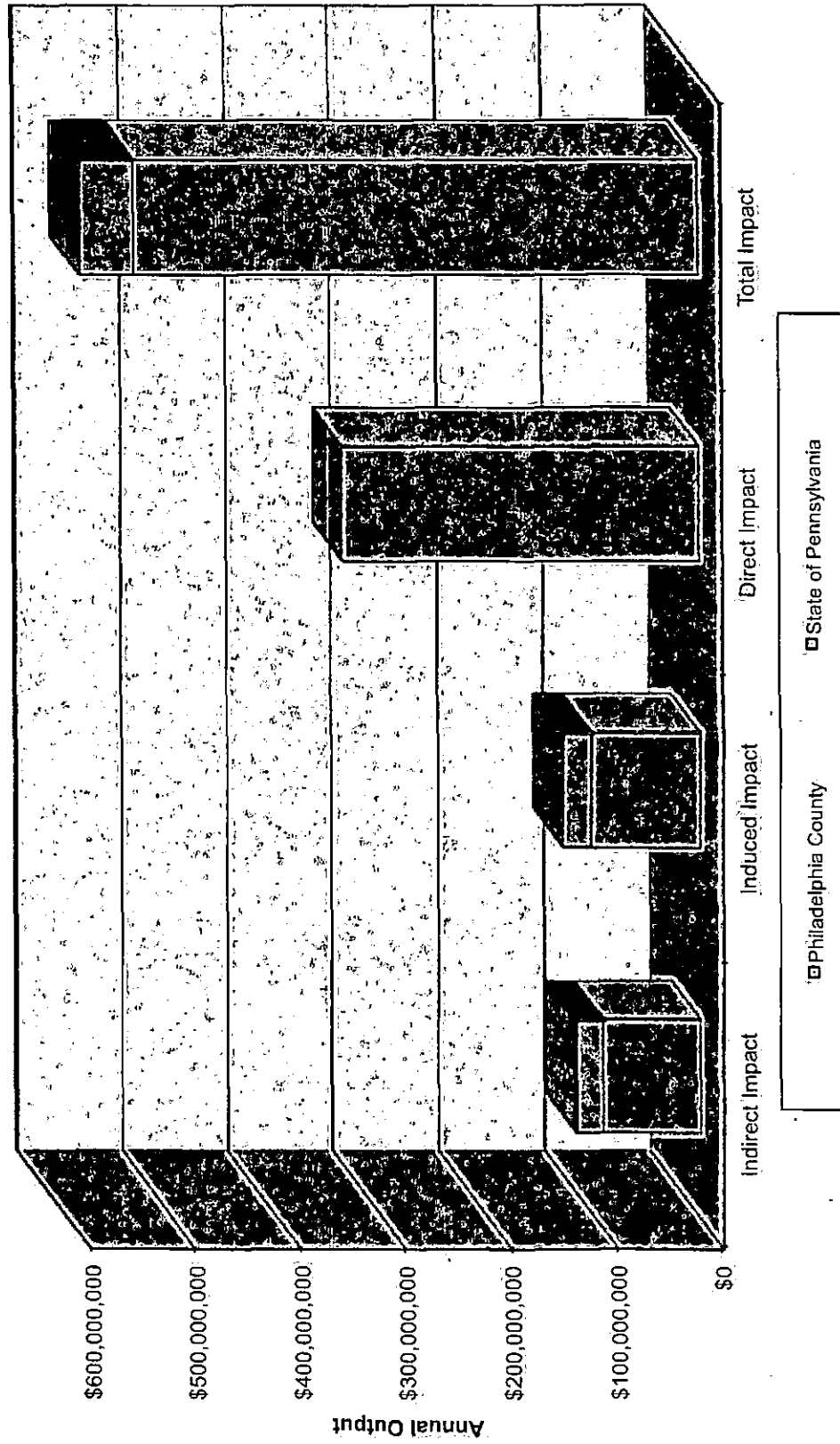
Estimated Direct, Indirect and Induced Annual Output Impact

Impact	Philadelphia County	State of Pennsylvania*
Indirect Impact	\$93,324,000	\$118,828,000
Induced Impact	\$103,495,000	\$130,762,000
Total Multiplier	\$196,819,000	\$249,590,000
Direct Impact	\$337,549,000	\$337,549,000
Total Impact	\$534,368,000	\$587,139,000

* State of Pennsylvania includes Philadelphia County total

Source: Klas Robinson Q.E.D.

ANNUAL OUTPUT IMPACT



EMPLOYMENT

Indirect and induced employment includes increases in employment at area businesses due to the increased demand generated by the planned Casino Revolution development, as well as at businesses impacted by the providers of goods and services to the planned Casino Revolution development. Based upon estimates of direct output provided by members of the project team, the total induced and indirect impact on employment in Philadelphia County from the planned Casino Revolution development is estimated to equal approximately 1,230 jobs. Total induced and indirect employment impact on the State of Pennsylvania as a whole is estimated to equal approximately 1,819 jobs.

Adding the direct impact on employment from the planned Casino Revolution development to the indirect and induced impact yields a total estimated impact on employment of approximately 2,599 jobs for Philadelphia County and 3,188 jobs for the State of Pennsylvania as a whole.

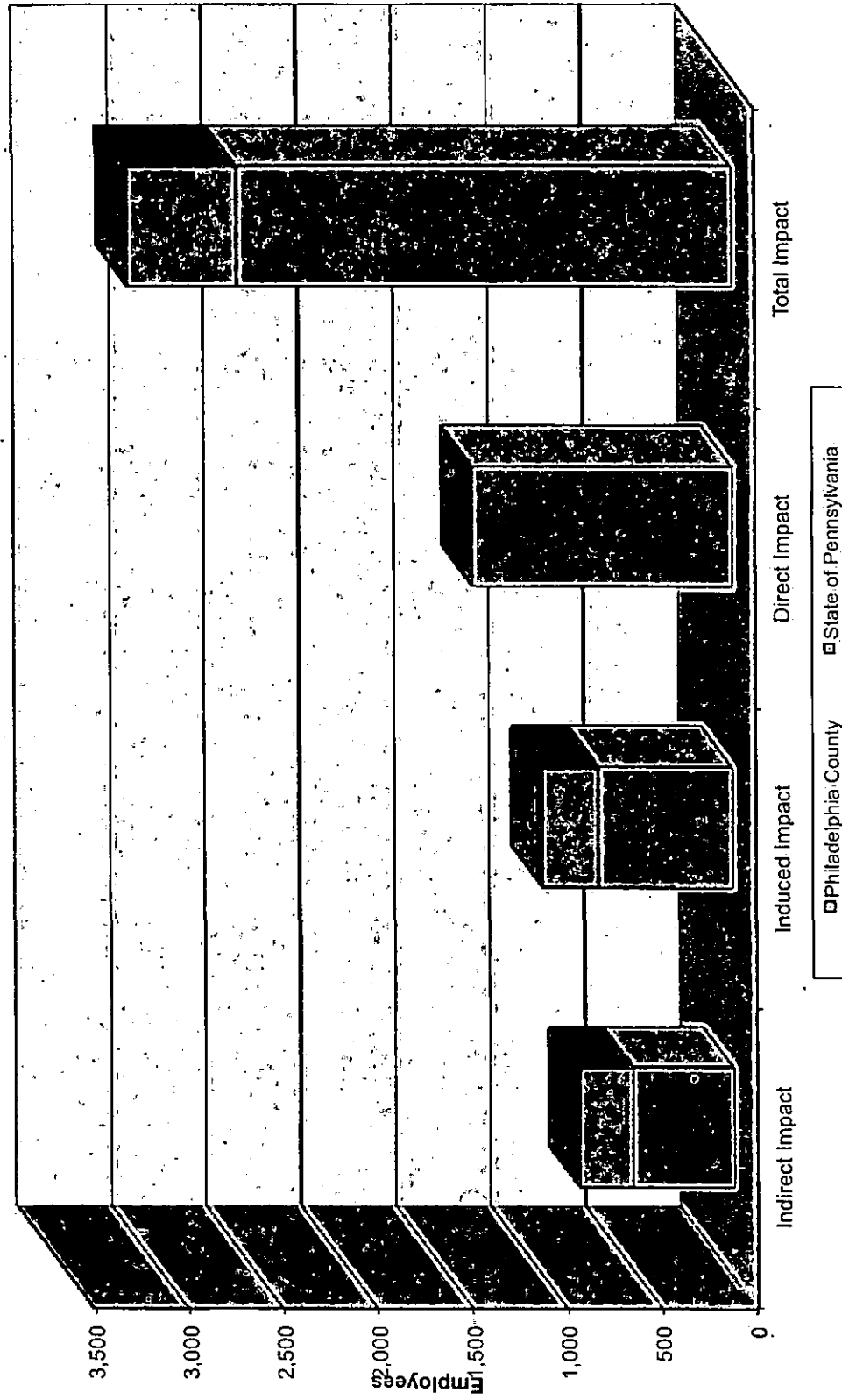
The following table presents a summary of the estimated impact on employment from the planned Casino Revolution development. The chart on the next page presents the following information graphically.

<u>Estimated Direct, Indirect and Induced Employment Impact</u>		
<u>Employment Impact</u>	<u>Philadelphia County</u>	<u>State of Pennsylvania*</u>
Indirect Impact	528	815
Induced Impact	702	1,004
Total Multiplier	1,230	1,819
Direct Impact	1,369	1,369
Total Impact	2,599	3,188

* State of Pennsylvania includes Philadelphia County total

Source: KlasRobinson Q.E.D.

EMPLOYMENT IMPACT (STABILIZED)



EARNINGS

Indirect and induced earnings include increases in earnings at area businesses due to the increased demand generated by the planned Casino Revolution development, as well as at businesses impacted by the providers of goods and services to the planned Casino Revolution development. Based upon estimates of direct output provided by members of the project team, the total induced and indirect impact on personal income in Philadelphia County from the planned Casino Revolution development is estimated to equal almost \$66.0 million annually. Total induced and indirect earnings impact on the State of Pennsylvania as a whole is estimated to equal almost \$93.0 million annually.

Adding the direct impact on earnings from the planned Casino Revolution development to the indirect and induced impact yields a total estimated impact on personal income of almost \$105.0 million annually for Philadelphia County and almost \$132.0 million annually for the State of Pennsylvania as a whole.

The following table presents a summary of the estimated annual impact on personal income from the planned Casino Revolution development. The chart on the next page presents the following information graphically.

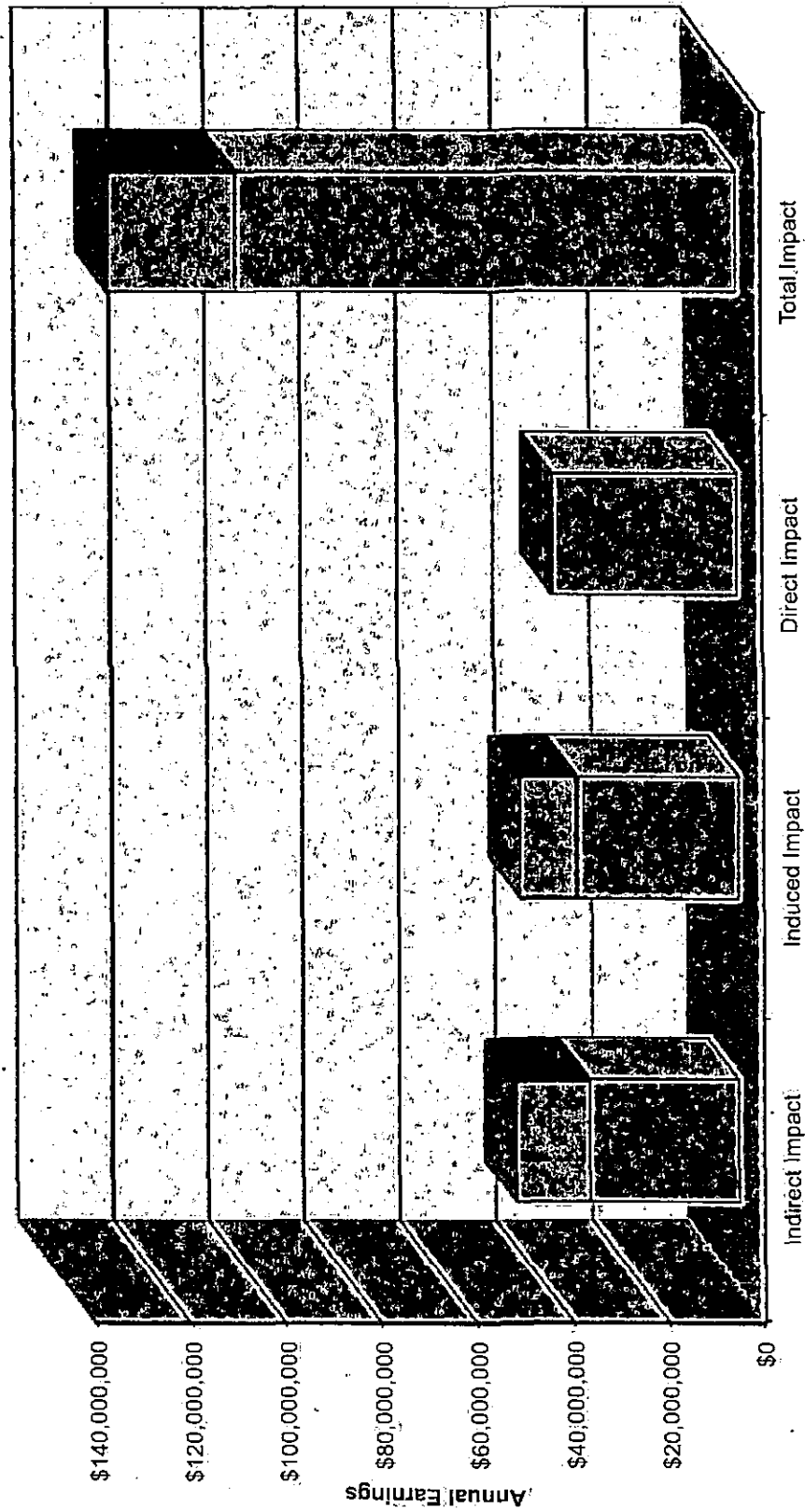
Estimated Direct, Indirect and Induced Annual Earnings Impact

<u>Earnings Impact</u>	<u>Philadelphia County</u>	<u>State of Pennsylvania*</u>
Indirect Impact	\$31,645,000	\$47,036,000
Induced Impact	\$34,105,000	\$45,915,000
Total Multiplier	\$65,750,000	\$92,951,000
Direct Impact	\$38,878,000	\$38,878,000
Total Impact	\$104,628,000	\$131,829,000

* State of Pennsylvania includes Philadelphia County total

Source: KlasRobinson Q.E.D.

ANNUAL EARNINGS IMPACT



☐ Philadelphia County
 ☐ State of Pennsylvania

ADDENDUM:

PROFILE OF



OUR COMPANY

KlasRobinson Q.E.D. provides market research, financial feasibility analysis, economic impact analysis, litigation support and other development consulting to such diverse types of industries and businesses as:

- | | |
|--|---|
| •• Casinos, Bingo Halls and Racetracks | •• Gas Stations, Truck Stops and Convenience Stores |
| •• Hotels and Resorts | •• Amusements and Attractions |
| •• Convention Centers and Exhibit Halls | •• Golf Courses |
| •• RV Parks and Campgrounds | •• Bowling Alleys |
| •• Restaurants and Nightclubs | •• Theaters and Other Entertainment Facilities |
| •• Tribal and Community Development Planning | •• Water Parks |

We perform comprehensive market research as a foundation for all of our feasibility studies, focusing on key demographic characteristics, tourism patterns, transportation infrastructure and other elements affecting the ability of a project to attract demand. We work in concert with the project team to develop facility recommendations that match the identified needs of the market and the goals of the project developers.

Due to our extensive experience with a broad array of leisure industry projects, we need not rely solely on published information on in projecting future financial performance. Our projections are based upon years of experience working with leisure industry projects of all types and sizes that has given us access to operating and market data not available to the general public.

Our analyses of direct, indirect and induced economic impact provide not merely facts and figures, but the context necessary to make them real and understandable to the reader. KlasRobinson Q.E.D. emphasizes hands-on, client-oriented consulting, based on our founding principles of integrity, accuracy and respect.

Our comprehensive approach ensures accountability through the direct, absolute and exclusive involvement of the principals in each project, including meetings, market research, analysis, report writing and presentation.

Summaries of the qualifications of our professional staff and a listing of recent engagements are provided on the following pages.

JAMES M. KLAS

FOUNDER & PRINCIPAL

Co-founder and Principal of KlasRobinson Q.E.D., Matt Robinson has been a consultant in the hospitality industry for almost 20 years, specializing in market research, feasibility analyses and economic impact studies. Mr. Robinson has consulted on numerous casino, hotel and other hospitality and leisure industry projects. With a background in planning and economic development, Mr. Robinson has specific expertise working in Indian Country on gaming and other tribal economic diversification projects. Mr. Robinson recently completed his second consecutive term on the Executive Board of the National Indian Gaming Association and currently serves on NIGA's Spirit of Sovereignty Committee.

Mr. Robinson is a frequent speaker at national and regional conferences on issues related to feasibility, economic impact and planning. He is a guest lecturer at colleges and universities including his alma mater Macalester College. Mr. Robinson is also a featured contributor to a variety of national trade publications including *Indian Gaming Magazine* and *Casino Enterprise Management Magazine* and is often quoted in regional and national periodicals.

Mr. Robinson has a Masters degree in Planning with a secondary concentration in economic and community development from the Humphrey Institute at the University of Minnesota. While at the Humphrey Institute, Mr. Robinson conducted research at the Tourism Center of the University of Minnesota, specializing in rural tourism development. He is a graduate of Macalester College with a Bachelor of Arts degree in three majors: Economics, Spanish and International Studies. During the 1988-89 academic year, he attended the Universidad De Complutense and the Institute of European Studies in Madrid, Spain.

Mr. Robinson also has more than five years of operational and management experience working in various facets of the hospitality industry both at home and abroad. He is fluent in oral and written Spanish and is a member of La Sociedad Hispanica Sigma Delta of the National Spanish Honor Society. Mr. Robinson is also a member of Omicron Delta Epsilon of the National Economics Honor Society.

Prior to co-founding KlasRobinson Q.E.D., Mr. Robinson was Vice President of the Hospitality Group of GVA Marquette Advisors, a national consulting firm. During his eight-plus years with The Hospitality Group, Mr. Robinson consulted on numerous gaming, hotel and other hospitality and leisure industry projects and was the editor and analyst of both The Twin Cities Hotel Report and The Seattle Hotel Report, quarterly publications on lodging industry trends.

MATTHEW S. ROBINSON

FOUNDER & PRINCIPAL

Co-founder and Principal of KlasRobinson Q.E.D., Matt Robinson has been a consultant in the hospitality industry for almost 20 years, specializing in market research, feasibility analyses and economic impact studies. Mr. Robinson has consulted on numerous casino, hotel and other hospitality and leisure industry projects. With a background in planning and economic development, Mr. Robinson has specific expertise working in Indian Country on gaming and other tribal economic diversification projects. Mr. Robinson recently completed his second consecutive term on the Executive Board of the National Indian Gaming Association and currently serves on NIGA's Spirit of Sovereignty Committee.

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RELEVANT ENGAGEMENTS COMPLETED BY THE PRINCIPALS OF KLASROBINSON Q.E.D.

ARIZONANS FOR TRIBAL GOVERNMENT GAMING - Phoenix, Arizona: Impact analysis on behalf of Arizonans for Tribal Government Gaming for the introduction of slot machines and table games at racetracks in the State. Analysis included estimates of revenue at up to nine planned racinos and the corresponding impact at Indian casinos throughout the State of Arizona.

COASTAL DEVELOPMENT MASSACHUSETTS LLC - New York, New York: Preliminary market analysis and revenue projections for a proposed casino resort complex gaming facility at **Suffolk Downs** in Boston, Massachusetts.

EXCELSIOR RACING ASSOCIATES LLC - NEW YORK, NEW YORK: Preliminary analysis and utilization estimates for the planned VLT gaming facility components at **Aqueduct** and **Belmont Park** in New York, as well as a scenario that assumes that Belmont Park does not operate VLTs (video lottery terminals).

FLANDREAU SANTEE SIOUX TRIBE - Flandreau, South Dakota: Economic impact on the Greater Sioux Falls Area of South Dakota due to the planned Lyon County Casino and Golf Resort in neighboring Iowa. Analysis included estimates of revenues, expenditures, purchases and employment at the planned Lyon County casino project, as well as the corresponding impact on employment, tourism and video lottery terminals in the Greater Sioux Falls Area.

GREATER DUBUQUE RIVERBOAT COMPANY - Dubuque, Iowa: Market analysis and projection of total market gaming revenue for installation of slot machines at **Dubuque Greyhound Park**.

HO-CHUNK DEVELOPMENT, LLC - Winnebago, Nebraska: Feasibility study and economic impact analysis on behalf of Ho-Chunk Development, LLC for its planned Warrior Casino and Hotel in downtown Sioux City which would replace Argosy Casino-Sioux City for the Woodbury County, Iowa gaming license.

MERIT MANAGEMENT GROUP, LP - Burr Ridge, Illinois: Preliminary market analysis for a proposed racino in Raton, New Mexico.

MINNESOTA STATE LOTTERY - Roseville, Minnesota: Impact study on the economic benefits of the Minnesota State Lottery in the State of Minnesota on local and state economies and tax revenue generated to the state and federal government.

MISSISSIPPI BAND OF CHOCTAW - Choctaw, Mississippi: Feasibility study and economic impact study on behalf of the Mississippi Band of Choctaw Indians for a proposed casino resort complex along the Mississippi Gulf Coast in Jackson County, Mississippi.

PRAIRIE MEADOWS RACETRACK - Polk County, Iowa: Feasibility study for the financing of a complete track renovation and installation of 1,100 slot machines at **Prairie Meadows Racetrack**, including estimates of the impact upon pari-mutuel handle.

QUANTUM ENTERTAINMENT COMPANY - Santa Fe, New Mexico: Feasibility study for a proposed horse track and racino in Hobbs, New Mexico.

ADDITIONAL LISTINGS OF ENGAGEMENTS UPON REQUEST

MERIT PHL, LLC

Slot Operator and Management Company - Application and Disclosure Information Form

APPENDIX 45: PROVIDE A SUMMARY OF ALL PERSONS WHO HOLD AN OWNERSHIP OR OTHER BENEFICIAL INTEREST IN THE APPLICANT AND ANY SUCH INTEREST IN ANY OF ITS PRINCIPAL AFFILIATES OR PRINCIPAL ENTITIES REQUIRED TO BE LICENSED OR PERMITTED IN PENNSYLVANIA; PROVIDED HOWEVER, IF ANY OF THE ENTITIES ARE PUBLICLY TRADED, ONLY INTERESTS EQUAL TO OR EXCEEDING FIVE PERCENT MUST BE DISCLOSED. OWNERSHIP INTEREST SHOULD BE PROVIDED IN A MANNER CONSISTENT WITH THE OWNERSHIP INTEREST REPORT FOUND ON THE BOARD'S WEBSITE UNDER LICENSURE/REPORTS AND GENERAL INFORMATION.

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Joseph J. Canfora is the sole owner of Merit PHL, LLC, holding 100% of the outstanding units. There are no other beneficial owners.